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ABSTRACT

This issue paper presents three very different views of the roles that government, job training, and economic development programs play within society. The paper is meant to stimulate discussion among training and employment and community and economic development professionals; it focuses on job retention and emphasizes the role of counties in the future economic development of the United States. The sections of the paper and authors are as follows: Introduction (Clifton Thomas, Jr., Director, Heartland Private Industry Council, Florida); "Workers, Local Government and the Jobs of Tomorrow" (Jeffrey Finkle, Executive Director, Council for Urban Economic Development, District of Columbia); "Economic Growth, Business and Jobs" (Rona Feit, Senior Fellow, Corporation for Enterprise Development, District of Columbia); and "A Broader Role for Job Training and Economic Development Programs" (James Finamore, Director of Job Training, Town of Tonawanda, New York). (KC)

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What Price Must We Pay for the Jobs of Tomorrow?

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WHAT PRICE MUST WE PAY FOR THE JOBS OF TOMORROW?

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PREFACE

The National Association of Counties (NACo) is very pleased to publish this *Issue Paper* entitled "What Price Must We Pay for the Jobs of Tomorrow?", by Rona Feit, James Finamore and Jeffrey Finkle, with an Introduction by Clifton Thomas, Jr. We, at the National Association of Counties, believe very strongly that counties do and can continue to play a major role in the economic development of this nation. We also believe that job training programs can and must play a major role in local economic development activities by providing employers with a well trained and motivated workforce.

Three very different views of the roles which government, job training and economic development programs play within our society are presented here. We believe that they present three very important and, sometimes, very controversial views.

This paper is sponsored by the National Association of Counties and is published by NACo's Training and Employment Programs under a grant from the US Department of Labor. This paper does not reflect, necessarily, the views of the National Association of Counties, its Training and Employment and Community and Economic Development Programs or the US Department of Labor. Each article does represent the views of its author.

This paper is meant to stimulate discussion among training and employment and community and economic development professionals. We would appreciate your comments. Please address your comments to Neil E. Bomberg, National Association of Counties, 440 First Street, NW, Washington, DC 20001.

WHAT PRICE MUST WE PAY FOR THE JOBS OF TOMORROW?

INTRODUCTION

Clifton Thomas, Jr., director
Heartland Private Industry Council
Lakeland, Florida and
immediate past president,
National Association of County Training and Employment Professionals (NACTEP)

It has become increasingly clear to those involved in job training and economic development activities that county and city officials who are working to improve local economic conditions must rely, in large measure, on the availability of a skilled and adaptable work force.

The difference between growth and decline for many local areas is a function of the availability of a labor force with superior skills or the means of acquiring them. The dilemma which this posses to local areas is underscored by the increasing evidence that this nation will experience a labor shortage in the 1990s and first decades of the 21st century at the same time that increasing numbers of young people will not be able to enter the labor force because they will lack the skills to participate in this highly skilled and adaptable work force.

Massive reductions in federal funding for community and economic development programs coupled with an emphasis on human capital investments will present formidable challenges to economic development and job training practitioners. Fiscal pressures on community and economic development and job training programs will increase the pressures on practitioners from both sides to work together.

But the problems we face must not be addressed through simplistic solutions. For example, the solution to our employment problems do not lie with job creation alone. Creating jobs requires that investments be made in land, buildings and equipment, in addition to people. Moreover, even when job creation is the single largest component of an economic development effort the solution does not lie in the creation of just any job, but in the creation of good jobs which pay reasonably well, provide decent working conditions and include advancement potential.

What price must we pay for the jobs of tomorrow? That question is not answered easily. Clearly there is a price that must be paid. Clearly that price must be paid by some group. It may be business or government or workers or those individuals outside of the work force or some combination that will pay for the jobs of tomorrow. The ways in which we choose to allocate those costs will impact significantly on the lives of our citizens and the future of this nation, its states and counties.

The purpose of this paper, which is based on a workshop sponsored by the National Association of Counties (NACo) and its affiliates the National Association of County Training and Employment Professionals (NACTEP) and the National Association for County Community and Economic Development (NACCED) held in Washington, DC in August, 1987, is to provide you with the opinions of three distinguished experts on job training and economic development.

The first article is by Jeffrey Finkle, executive director of the Council for Urban Economic Development (CUED), in Washington, DC. He believes that the costs for economic and job growth must be borne by the workers, who may have to accept lower paying jobs, and the communities, which may have to make major concessions to keep businesses within their jurisdictions.

The second paper is by Rona Feit. She is a senior fellow and director of the Transfer Payment Investment Program for the Corporation for Enterprise Development (CfED). Ms. Feit believes that there are reasons why certain areas thrive economically while others experience severe economic problems which are independent of the cost of labor or the willingness of local government to make significant concessions. She believes that businesses must be willing to absorb a substantial portion of the costs associated with the jobs of tomorrow through taxes and support of job training efforts.

The third is by James Finamore. He is the director of the Job Training Department for the Town of Tonawanda, New York. He believes that job training and economic development programs must coordinate their resources and focus on the retention of existing businesses and workers. Successful job training programs, he writes, must be outcome oriented. Training without job results in wasted resources; jobs without trained individuals does not help a local economy.

These articles represent diverse views about the roles of local government, business, workers and economic development and job training practitioners in local job development activities. The National Association of Counties and its affiliates, and the US Department of Labor, which sponsored publication of this report, do not share, necessarily, the views of each author. Rather we present these views as a way of continuing the debate and discussion around job creation and related issues.

WORKERS, LOCAL GOVERNMENT AND THE JOBS OF TOMORROW

Jeffrey Finkle, executive director
Council for Urban Economic Development
Washington, DC

Most communities tend to experience very different types of economic development and employment problems. The solutions to one community's problems are not easily transferred to another community even if the problems appear similar.

The communities which lie within this nation's rustbelt are the exception to this rule. Their business and employment-related problems are quite similar and can be attributed to similar causes. The presence of a highly organized and well paid labor force with work rules which are different than those of other areas of the country or other nations is one of the most important reasons for the "rustbelts" current problems.

How can a manufacturer in one region which has significantly higher labor costs than those in other regions compete with those manufacturers? Similarly, how can American manufacturers compete with other nations' manufacturers which operate under different work rules, pay their employees significantly less and are able to manufacture and transport goods to our country at lower prices? How can the United States automotive industry compete with those of Japan, Korea and Yugoslavia, who can produce and import cars to the United States at costs below those of American manufacturers?

Yet the unemployment which the "rustbelt" is experiencing is in direct contrast to communities like San Francisco, California; Montgomery County, Maryland; and Fairfax County, Virginia. In Fairfax County, for example, many service sector jobs go unfilled because of the shortage of workers. And the problems are not only in the lower paid jobs. There is a shortage of workers to fill computer and other skilled jobs.

The problem that Fairfax County and other areas face is the result of the maldistribution of resources across this country. Skilled individuals do not reside in the same locations as the opportunities.

Counties, in particular, are discovering the need to be more involved in marketing, maintaining and pursuing new businesses within their borders. Many county governments implemented job creation, retention or recruitment strategies. In the past the federal government provided counties with sufficient resources to operate effective local economic development programs. However, the recent federal cut backs in economic development funds have slowed the efforts of some cities and counties. These reductions should not keep communities from participating in economic development. Rather we should witness a greater willingness to commit local resources to economic development programs based upon their prior success.

A question which all communities involved in economic development activities must ask themselves is what price are they willing to pay for the jobs of tomorrow? Several elements must be considered when answering that question. These include attraction — is the local environment conducive to draw business? — retention — does the local community foster a pro-business atmosphere? — and expansion — does the local government provide support for growth?

Attraction of a region is important if that region is to draw business. Northern New Jersey is an example of an area that is attractive to business. In close proximity to New York City, many of the businesses which

locate in Northern New Jersey do so because they serve the New York area. The printing industry, for example, has found that they cannot remain competitive if they remain in New York City. Therefore, they have moved to New Jersey where printing is now a growth industry. Similarly, a large number of electronics firms that were based in the mid-west are being attracted to southern locations. In Columbus, Cleveland or Cincinnati businesses must pay $10 to $12 per hour to union workers. In the south people are competing for jobs at $4.50 to $5.50 per hour. And if the south— where the cost of living or the cost of doing business is lower — was not available to manufacturers these jobs would be exported to Asia. These jobs would otherwise not be available in the United States if we did not have places like the south.

Retention is the second element. The willingness of a community to encourage business to remain will impact growth. Local governments often are surprised to learn that many local businesses would have left the area had the government not taken immediate steps to assist them with their problems. Businesses may make the decision to leave a community, announce their plans to do so and then learn that the local government was prepared to do what was necessary to keep the business within the community. Company officials often assume that local governments are not interested in having them stay because no effort was made to indicate their support. An example of this in St. Paul, Minnesota is typical: a business faced with an adverse labor climate learned that their building was to be condemned by the City for a new, city-owned project. The business assumed that the city would not provide them with the assistance they needed to remain in St. Paul. In fact, the city would have provided assistance but neither the business nor the city was aware of this. St. Paul lost 500 jobs when the business closed.

Expansion is the third element. A favorable climate is necessary if expansion can take place. Many companies want to expand locally, but the cities and counties do not seem willing to lend a helping hand. For one business in Columbus, Ohio, all it took was a Small Business Administration (SBA) loan, which was provided through the SBA's 503 programs. Denver, which has lost many jobs due to the energy slump, has created a regional consortium comprised of resources from the local and regional chambers of commerce and economic development agencies. This consortium promotes and markets the Denver area nationally. One of the most interesting components of this consortium is the fact that it is based on metropolitan-wide cooperation. While most counties located in a particular metropolitan region compete for business, Denver has tried to eliminate the additional turf battles by promoting regional cooperation. The inspiration for the network's creation came primarily from the Denver Chamber of Commerce, with support from city and county economic development agencies.

These types of cooperative agreements have also been successful in competitive regions. For example, Philadelphia recently benefitted from a decision by one of Kodak's pharmaceutical units to expand its activities in that region. When the city could not find a suitable site within its borders, it worked with the surrounding counties to find an appropriate site. In this way, they were able to put together a package which Kodak was interested in and which brought additional jobs to the region.

The importance of these three components for economic growth should not be underestimated. The strength of local business, economic and job growth, and the region as a whole rests on the ability of an area to attract, retain and support business expansion. Without these components the economic viability of an area will be limited. In addition, there needs to be a consensus between a county, its cities and the private sector that fiscal and economic development policies must be developed to benefit all parties because policies that are often used to the detriment of one jurisdiction weakens the entire region. Finally and most important, civic, business leaders and elected officials must provide county-wide leadership, commitment and financial support for economic development strategies if they want to nurture and sustain economic growth and revitalization.

WHAT PRICE MUST WE PAY FOR THE JOBS OF TOMORROW?

ECONOMIC GROWTH, BUSINESS AND JOBS

Rona Feit, senior fellow
Corporation for Enterprise Development
Washington, DC

Rona Feit's article has been extensively rewritten since it was initially presented in August 1987 to reflect the findings and approach of CfED's 1988 Development Report Card. Her original presentation was based on CfED's 1987 Development Report Card.

The question before us – what price must we pay for tomorrow's jobs – is a very difficult one to answer. What we must pay for tomorrow's jobs depends on our understanding of how to promote a healthy economy. And there is no better starting point than looking at how our nation's most successful businesses are competing in today's economy.

America once was the unchallenged leader in an expanding world market. But today we find ourselves toe-to-toe with international competitors for virtually every product and service we produce. In this new economy, business success is no longer based simply on making something better. They compete on the basis of quality, innovation, service to customers, flexibility in meeting changing needs and astute marketing.

What kind of economic climate fosters this sort of competition? For far too long the traditional view has focused on reducing the cost of doing business to spur economic development. But in the new economy it is not the absence of cost factors — whether they be taxes, regulations or unions — that will determine our success. Rather it will be the presence of investments in a skilled work force, technology, access to growth capital, quality infrastructure and amenities, together with our ability to foster public-private partnerships to promote new enterprises and strengthen existing ones.

The key to accurately reflecting the health of state economies is to ask the right questions. We at the Corporation for Enterprise Development created a Development Report Card that grades states on four separate indexes that correspond to what we think are the four crucial questions about economic health:

First, Economic Performance: How well is the state's economy performing in terms of its primary purpose — to provide its citizens and their children with chances for a better life.

Second, Business Vitality: How vital are the state's businesses. In other words, how competitive are the state's existing businesses; at what rate and how broadly are new businesses forming; how diverse is the state'seconomy?

Third, Resource Capacity: What is the state's capacity for continued growth? Are the resources needed to fuel future growth available and of high quality?

Fourth, Development Policy: What steps are state governments taking to invest in the basic building blocks of their economy and to establish new development initiatives involving public-private partnerships.

The index grades are based on the cumulative grades on 17 sub-indices which contain more than 100 separate objective measures (up from 78 last year) of economic health. While the data we present in the

Report Card are statewide, it is important to note that they are simply the sum of what is occurring in counties of a state, except for the Policy Index which only examines state government policies. It is possible to use the Development Report Card framework for analyzing particular counties within a state.

This year — besides 50 interesting and different state stories — we see at least three significant and interesting stories emerging from the overall pattern of the 1988 results:

Story One. The states leading in the race for the economic future are busy cultivating their own gardens.

The people who make decisions about economic development in these states —in government, financial institutions, businesses and schools — have apparently realized that if the grass seemed greener in other states, maybe it was because they hadn't been watering theirs. So they have been watering. Those businesses, schools, state governments who are meeting the challenge of global competitiveness are doing so by adding value in terms of increasing quality, flexibility, and innovation in whatever they do.

Story Two: When the going gets tough, the tough get going.

Perhaps the most encouraging overall trend is how aggressively those states that are facing the most severe challenges — of economic restructuring and persistent poverty — are taking control of their own economic destinies.

Four of the ten A's in Policy were earned by states in the supposedly declining industrial Midwest: the Great Lakes states of Michigan, Ohio, Indiana, and Wisconsin. These states have responded to the sharp challenges of restructuring in manufacturing. The honor grades in Policy earned by South Carolina, North Carolina, Arkansas, and Florida — and even in Mississippi — are even more encouraging. Their assaults on the joint legacies of poverty and underinvestment promise advances toward parity with the better-developed states in the nation.

We think the moral of Story Two is clear: Any state can make economic progress -- if it tries. But that "it" is not just government; it is business, it is universities, it is people.

Nor are the policies, programs and approaches that government can use necessarily expensive. We hope that the trailing states take inspiration from the tough ones who are taking their challenges straight on – andwinning.

Story Three: Achieving greater equity within the economy arises as the great challenge - and the great opportunity - for the states.

Economic Disparities between and among states — between rich and poor, black or hispanic and white, men and women, and, above all, between urban and rural areas — emerge starkly in the 1988 Report Card. The magnitude of the challenge is particularly clear in the nation-sized states of California and New York, whose scores reflect these disparities.

But there is hope as well on this front. More states are pursuing policies and programs that simultaneously offer to promote growth and include in that greater prosperity many people now on the margins of the economy. These programs include:

- A growing recommitment to the education programs, to endow all citizens with the skills they need.

- Transfer payment investment programs that use welfare and unemployment compensation and other transfers as more than maintenance — as investments in economic independence.

- Community development programs that build local capacity where it is most needed.

- Rural marketing and diversification programs.

Let me now share with you a breakout of where the states seem to be grouped in the 1988 Development Report Card.

We can identify four major groupings of states, looking at their grades across indexes:

The Leaders: States scoring all A's and B's on the 1988 Report Card are Connecticut, Maryland, Massachusetts, Minnesota, New Jersey, and Vermont. The Northeast is where today's economic action is. These states all have a long standing commitment to public investments and public-private partnerships that continuously strengthen their capacity to generate future growth. These leading states compete not by spending more necessarily, but by spending better: by improving the quality of education and infrastructure; by constantly inventing and testing ways of applying resources better; by knowing their own and the world's evolving technologies, and shaping policies accordingly.

The Contenders: Several states are doing well overall, but received one grade below B, including such industrial stalwarts as Pennsylvania, Wisconsin, Washington, and California, and the rapidly-growing economies in Maine, Delaware, and Virginia.

The Pack: States in what we are calling "The Pack" earned two or more grades of C or worse, and fall into four groups.

The first set are the "tough" states (many hard-hit by the restructuring of the American economy) that scored an A or B in Policy, including Michigan, Indiana, Florida, New York, South Carolina, Ohio, Arkansas, North Carolina, Oregon, and West Virginia. These states are the perfect embodiment of that old phrase I mentioned earlier: "When the going gets tough, the tough get going". Several of these up-and-coming states in the industrial Midwest and the New South -- like Michigan and South Carolina -- are working aggressively to improve their economies. They may soon be giving the leading states between Maryland and Maine a run for their money.

Also in "The Pack" are several "coaster" states whose economies are booming, but which lag behind in Capacity and Policy grades. Most prominent here are New Hampshire and Rhode Island, which largely benefit from their proximity to the robust Boston Metropolitan area. These states appear to have healthy economies, but their foundations seem weak. They have neither the policies nor the investments in capacity-building needed to power their own growth.

A notch below these coasting states are several states which show average or slightly better Performance but average to weak efforts in development Policy. They include: Arizona, Colorado, Georgia, Hawaii, Illinois, Missouri, and Utah.

In the fourth "Pack" group are a number of states which were hit hard by recent economic shocks that merit relatively low Performance grades but average Policy grades. These states are beginning to put policies in place but can do more, including Alaska, Iowa, Kansas, Montana, New Mexico, and Texas.

The Trailers: The states with the poorest grades — mostly D's and F's —are typically rural, in the South, Plains or Mountain regions. Many are heavily dependent on energy and commodity production leading to "boom-bust" economies. They include Alabama, Idaho, Mississippi, Oklahoma, South Dakota, Tennessee, Nevada, North Dakota, Wyoming, Kentucky, Louisiana, and Nebraska. Wth the collapse of energy and commodity prices, many of these states have very little to fall back upon. In addition, the Southern states here are still struggling to escape from a legacy of chronic poverty and underinvestment.

The 1988 Development Report Card has limitations, but our experience is that state and local leaders across the nation can — and have — used it well to identify strengths to build upon and weaknesses to remedy.

We offer the 1988 Report Card as a tool for helping states and localities make progress. It is not a perfect tool, but a powerful and, we hope, useful one.

WHAT PRICE MUST WE PAY FOR THE JOBS OF TOMORROW?

A BROADER ROLE FOR JOB TRAINING AND ECONOMIC DEVELOPMENT

James Finamore, director of job training
Town of Tonawanda, New York

Efforts to coordinate job training and economic development activities were first initiated on a large scale under the Comprehensive Employment and Training Act (CETA) in the 1970's. This thinking was part of the shift in emphasis away from make work jobs, toward permanent private sector jobs.

Prior to this time the focus of local CETA planning was on identifying the neediest groups in a community and directing resources at those groups. Staffs analyzed their local labor markets to determine the kinds of skills for which a demand apparently existed, and "delivery systems" were developed to move the neediest individuals into high demand areas of the job market. This analysis was often inaccurate and many people were trained for jobs which did not exist.

After the mid 1970's and under the Job Training Partnership Act (JTPA), efforts were made to change the focus of the planning and program development process. The new idea was to identify specific job openings first, and then customize training programs for specific jobs. The last step in this kind of approach is to consider which disadvantaged applicants can benefit from a particular project.

Part of the original thinking on coordination was the notion that, since the economic development program is subsidizing private business expansion, it is appropriate to ask these firms to hire needy individuals. Examples of public subsidies include industrial revenue bonds, Small Business Administration loans, and revolving loan funds under HUD's Community Development Block Grant Program.

Since the 1970's a number of approaches have been developed to coordinate job training services with economic development assistance. One popular approach is called a "first-source agreement". It requires that companies which receive government subsidies to expand or relocate to an area hire qualified economically disadvantaged residents of the area. The agreement, usually executed by the participating firm and the local job training agency, stipulates that the first source for hiring shall be the job training agency.

A second method is customized classroom training. The job training agency meets with an employer and develops programs which offer the specific ompetencies required for specified jobs. Often local educational agencies are brought in to develop curriculum and provide the instruction.

Apart from the development of employer-specific training, it is important to ensure that the staffs from participating job training and economic development agencies are familiarized with each other's services. Both kinds of organizations have marketing components whose function is to call on employers, and it is important that these staff members understand the entire spectrum of available services.

In spite of the improved communications between economic development and job training agencies, many people in the job training community feel that the relationship has not been very productive. A basic reason for this disenchantment is that many economic development programs do not target their job creation efforts to benefit disadvantaged people within the community. One factor here is that some development agencies receive their program income from fees generated by making loans. If the staff is paid from these fees, it is unlikely that the agency will want to impose many conditions on the granting of loans.

Another basic difference in perspective between job training and economic development agencies is on the issue of accountability. Job training programs are required to show results in terms of actual placements into training-related jobs. These results must be fully documented and are subject to audit by the states and federal government. Economic development programs, usually having no such accountability for outcomes in terms of actual jobs created, are often inclined to inflate these numbers. If the promised jobs fail to materialize, the local JTPA director may be left holding the bag.

It is time to begin a reexamination of the ways in which we are coordinating job training and economic development activities. As the U.S. economy becomes more vulnerable, we must look for more effective ways of mobilizing our resources. We must rise above the bureaucratic turf battles which we have fought in the past and focus on the big picture — the jobs we need in this country in the future and the price that we will have to pay to have those jobs.

Historically, most economic development and job training programs have revolved around the creation of new jobs in a community. Neither of these programs has focused on working with employers to keep the existing jobs. At the operational level, the reason for this has been the assumption that government simply does not have the resources to help all private sector employers in a given area. At the political level, the creation of new jobs has always been regarded as more "sexy" than job retention.

The fact is that we can do much if we focus on job retention —helping companies that are located within our service areas compete with others. The range of public sector programs now in place to assist business can provide much of the "raw material" for a locally-based industrial retention program.

The US Commerce Department has a program — the International Trade Administration — to help companies get involved in exporting their products or expand to new export markets. Its worldwide network of foreign commercial service officers is fully computerized and tied to ITA regional offices serving all parts of the United States. This program helps businesses determine what countries are best for their products, who the competition is and what prices they are charging, who are the potential buyers, and what methods of shipping are best. A second Commerce Department program is the Trade Adjustment Assistance Centers which are intended to aid businesses hurt by foreign competition. If a firm is eligible, 75 percent of costs associated with marketing, finance, engineering and other consultants is covered.

The Department of Defense Logistics Agency provides assistance to small business in selling (almost anything) to the Pentagon. The Small Business Administration and many state sponsored small business programs provide information and management assistance. Most states now sponsor industry specific skill training programs to upgrade the skills of currently employed workers.

Utility companies advise companies on improving the energy efficiency of manufacturing processes, and in some cases have established specific industry retention programs by providing troubled firms with significant discounts on electricity rates to ensure that they remain in the area. Many colleges and universities have established technology development centers which provide research findings and faculty assistance to business and industry.

Unfortunately, while these programs have shown results individually, they do not collectively add up to a cohesive strategy for industrial retention and effectiveness. They are scattered among the different levels of government and a myriad of agencies and private sector organizations. This lack of any coordinated approach results in many business needs going unmet at the same time that many resources are underutilized.

To be effective, business retention requires leadership. Job training and economic development administration and county officials have to broaden their role to place more emphasis on business retention, to assist business in a real sense rather than by simply directing various financial incentives. By acting as an informed broker between business and industry and the various public sector programs, local leadership can stimulate an enormous amount of activity. Brochures listing the many programs can be published. Meetings between public agencies and interested employers can be convened.

If the wealth of public sector educational and informational resources is to be effectively mobilized, job training and economic development agencies must redefine their missions. The importance of industry retention has to be underscored and recognized by business and political leaders. Though it may not be perceived in the same way as growth, no community wants to lose jobs.

It is, of course, far different to work with all existing industries in a community than to work with the few newcomers each year. Industry retention differs from industrial attraction both in the number of client firms and in the nature of the assistance (largely technical and managerial rather than financial). In spite of these differences, economic development and job training agencies are still in the best position to serve as the focal point for such a program. The inherent ability of these programs to function as generalists, and respond in a flexible way to the needs of industry is really what is all important.